



June 14, 2010

Mr. Robert Nelson
President
Citizens Revenue Review & Economic Competitiveness Commission (CRRECC)
202 C Street, 3rd Floor
San Diego, CA 92101

RE: Recommendations for Making the City More Economically Competitive

Dear Chairman Nelson and Members of the Commission:

The healthcare organizations referenced above greatly appreciate the opportunity to provide recommendations to the Commission on how best to achieve sustainable economic growth through the attraction, retention and development of businesses and enhance revenue streams for essential public services and infrastructure.

We would like first to associate ourselves with the excellent recommendations made in the May 11, 2010 letter to you from the coalition of San Diego industries arguing for regulatory reform, infrastructure financing reform, planning for the future and fiscal reform. In that spirit, we add Hospitals to the list enumerated on page 6 of that letter. Hospitals located in the City of San Diego are a major economic engine, generating almost \$14 billion in gross patient revenue in 2008, an amount that does not include Kaiser Permanente San Diego as it does not report financial data. Additional revenue is generated via the economic multiplier created by tens of thousands of local hospital employees and vendors. In fact, three of the region's four largest private employers are hospitals (Sharp HealthCare, Scripps Health, and Kaiser Permanent San Diego in that order), while the region's largest non-governmental public employer, UC San Diego Health System includes two San Diego hospitals.

While we are proud of our contribution to the local economy, we also want to emphasize that San Diego hospitals contribute to local workforce development activity, including direct financial outlay to K-12 and higher education institutions. We believe strongly that like our industry, our region will benefit from a highly educated, highly skilled citizenry and workforce.

What makes us fundamentally different from other local businesses is that we provide an essential public service. In many other counties and states, the public service we provide is funded by local government, principally counties. Unfortunately, City of San Diego ordinances currently treat hospitals like a residential or commercial developer, with fees taxed upon the development to offset the perceived burden on the community. This practice creates serious impediments to the development of hospital projects badly needed to provide health care services in San Diego County.

Today, the growth in acute care beds in the county has not kept pace with population growth. San Diego County has 8% fewer beds per capita than the state overall. It is well known that due to the state's seismic protection and other standards, the construction of health care facilities in California is already many times more expensive per square foot than in any other state in the country.

Looking forward, San Diego is forecast to experience the largest growth rate in the 45-65+ age groups. The uninsured and Medi-Cal populations have continued to grow significantly. In 2009, the uninsured represented 14.8% of the population, and the Medi-Cal population represented 16.1%. Collectively these two sectors grew by 6.5% in the last year alone.

Hospitals are expected to provide the highest quality and technologically advanced care 24 hours a day, 7 days a week. Hospitals embrace the critical role we play in providing that benefit to the entire community. However, care is provided in an increasingly difficult financial environment with:

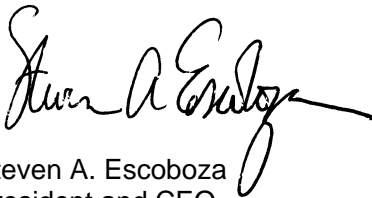
- the highest construction cost per type of building;
- historically low county indigent care, state and federal reimbursement;
- additional cuts due to healthcare reform and the deterioration of state and county health and human services budgets; and
- increased demand for services due to a burgeoning uninsured population.

Permitting restrictions and development fees are imposed by a City seemingly oblivious to the public service role hospitals play. In recognition of the hospitals' responsibility to provide critical healthcare infrastructure, we recommend the City:

- Streamline the permit process for essential health care public services,
- Exempt essential health care public services from development fees and from other off-site transportation improvements, and
- Exempt investments in medical equipment from sales tax.

Again, we greatly appreciate your invitation to provide this information to you and request your consideration of our views and recommendations for inclusion in your report to the City Council. We are happy to answer any questions and provide you with any additional information that will assist in your efforts.

On behalf of Hospital Association of San Diego and Imperial Counties and our not-for-profit City of San Diego hospital/health system members, including Kaiser Permanente, Rady Children's Hospital – San Diego, Scripps Health, Sharp HealthCare, and UC San Diego Health System...



Steven A. Escoboza
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Hospital Association of SD&IC